

Baird, Slaughter Seek Capitol Hill Insider Trading Ban-Lawmakers Call for Department of Justice Investigation- (March 28, 2006)

Washington, D.C. - Congressman Brian Baird (D-WA) and Congresswoman Louise Slaughter, Ranking Member of the House Rules Committee, (D-NY) today introduced legislation to stop insider trading on Capitol Hill. The lawmakers have also urged the Department of Justice to investigate how widespread Hill insider trading is (see attached letter).

“It is illegal to profit from information obtained within a company, yet, it is perfectly legal to profit from information obtained within the Congress. That is ludicrous,” said Baird, the bill’s author. “We are talking about billion dollar loopholes here.”

The Stop Trading on Congressional Knowledge Act, or STOCK Act, will prohibit Members and employees of Congress from profiting from nonpublic information they obtain in their official positions, and require greater oversight of the growing political intelligence industry.

“Top Leadership aides know what is happening before anyone else. They have access to all sorts of sensitive information. The potential for abuse there is incredible,” Slaughter said. “This represents yet another compromise of the integrity of this leadership and another failure to impose accountability where it should have been already.”

Baird and Slaughter’s STOCK Act will:

“Prohibit members or employees of Congress from buying or selling stocks, bonds, or commodities futures based on nonpublic information they obtain with their status.

“Prohibit those outside of Congress from buying or selling stocks, bonds, or commodities futures based on nonpublic information obtained from within the Congress.

“Prohibit members, employees, or persons with nonpublic information from disclosing information about any pending or prospective legislative action if they believe that information will be used to buy or sell stocks, bonds, or commodities futures.

“Require members of Congress and employees to report the purchase, sale, or exchange of any stock, bond, or commodities future transaction in excess of \$1,000 within 30 days. Members and employees who chose to place their stock holding in blind trusts or mutual funds are exempt from this reporting requirement.

Require firms that specialize in political intelligence gathering to register with the House and Senate, much like lobbying firms are now required to do.

Members and staffers should be concerned first and foremost with serving the American people and not with fattening their stock portfolios on the taxpayer's dime, said Baird. Increasingly common midnight votes and bridge-to-nowhere earmarks are the perfect recipe for trading abuse; a few select staffers and members have access to information that could bring them a windfall as soon as the markets open.

Baird and Slaughter's legislation was prompted in part by allegations of trading misconduct leveled at Tony Rudy, a former staffer to Majority Leader Tom Delay and associate of Jack Abramoff. The lawmakers are also concerned with recent reports on Washington, D.C.'s thriving political intelligence industry. Political intelligence firms first appeared in the 1970s, but the industry remains relatively unknown because the firms are currently not required to register their clients or their earnings.

The bottom line is, at the very least, individuals with access to non-public government information should be held to the same standards as any other American. There is a gaping hole in the law and it needs to be closed, said Slaughter.

In addition to issues of fairness, Capitol Hill insider trading also has critical national security implications; foreign investors are getting into the American political intelligence business. This past summer, China's Xinhua Finance purchased the political intelligence firm Washington Analysis for an undisclosed amount as the bidding war for Unocal was heating up between Chevron and China National Offshore Oil.

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